An Update to Intel Foundry Scenarios.

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David Zinsner, Intel CFO, had a great discussion with Deutsche Bank this week.

David is the most open CFO I have seen. He shared on a wide variety of topics. I also like him because he consistently confirms what I publish months before his presentations.

I have presented scenarios for Intel's External Foundry revenue since 2021. Despite me being a pessimist, and people arguing that I am too negative, I have overcalled the predictions and been forced to revise them down every year since 2021. I always thought IFS would have revenue and great technologies. I just didn't think they would have net income. I called it "IBM2.0". Unfortunately, Intel hasn't matched IBMs ability to get foundry customers yet.

Based on the Intel 10Q and David's presentations, we have some updates (These are just opinions and models):

- Intel is very optimistic on new engagements, packaging revenue, strategic plans for manufacturing in the US. CEO Tan has fixed most of the cultural issues that caused Intel to have no signed customers other than the government from 2021 to 2025.
- Intel external revenue is still very small. Once we remove external companies who used to part of Intel (Altera). It is less than 600M per year. Intel is not quite a top 20 supplier if you include OSATS and wafer Foundries
- Intel IFS losses are still huge, Intel loses about $2.5B per quarter. This is much worse than 2021 and back then IFS was planning to have net income in 2026.
- Intel committed IFS to be break even by the end of 2027. After years of affirming this, David has now changed. He is using terms like "we need to spend on growth", "I am not concerned about whether it is 2027 or 2028", "The indicators are good". As I predicted a year ago, they will not break even in 2027
- The reality is that if Intel took ALL of Global Foundries revenue or ALL of SMIC's revenue at ZERO cost, IFS would still lose money. One plan is to add wafer and packaging revenue and do a very large one time write off of assets after sales are moved to 18A. But even that is low confidence. A more reasonable goal is to cut the losses by about 250M per quarter.

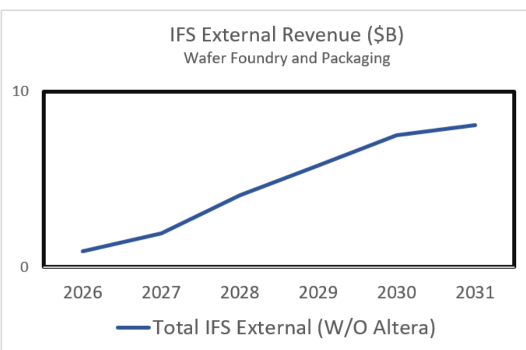
- Intel does not have any plans for significant wafer fab revenue in 2026. They will get some early samples out and there may be revenue from that. The pricing for this is very unclear. Intel plans to start some packaging in 2026 and this will lead to some revenue. Still fairly trivial in 2026, but in 2027 it could lead to 1-2B in revenue annualized by the end of the year. Intel plans to have some material, but not significant, wafer fab revenue in 2027. Back half loaded. There are people who said Intel will have 1-2B in packaging in 2026 2H and 2-3B in wafer fab revenue in 2027. This is not planned by Intel.

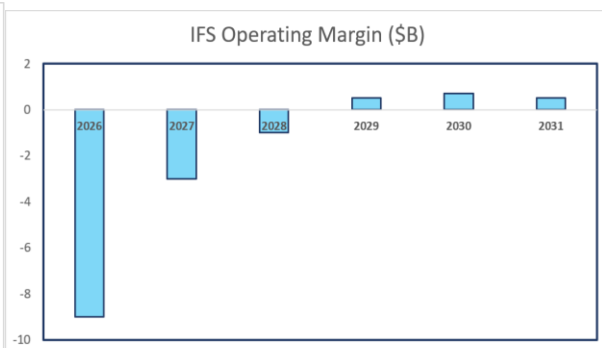
Where it gets more interesting is in 2028-2030. Intel goals are to have signed agreements generating significant revenue starting in 2028. The usual suspects are looking to give Intel 10% of their business to satisfy government goals and give Intel a chance. If the volume grows above this, it would require tooling of Ohio site, which is not predicted until 2030+. Again there are no hard contracts yet…. a plan to "do projects together" is being worked. Also government projects start to ramp in 2030+ timeframe (there is a hard contract in place).

There are a lot more details on what is going on and milestones to know whether the future customers materialize. Call for more discussion.

So what does this all mean for external revenue and operating margin?

Our Guess-timate:





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